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## ***Michigan Catastrophic Claims Association (MCCA)*** ***Updated July 23, 2003***

### **What is the Michigan Catastrophic Claims Association (MCCA)?**

Michigan is the only state that offers unlimited personal injury protection benefits. These benefits are offered through no-fault auto insurance policies. The Michigan Catastrophic Claims Association (MCCA) reimburses no-fault auto insurers for benefits that exceed \$325,000. MCCA was created by the legislature as a means of spreading costs across all Michigan motorists for providing these unique unlimited benefits.

Although created by statute, the MCCA is a private, nonprofit association. All of its dealings are with insurance companies, not the general public. The MCCA has a Board of Directors that consists of 5 representatives from insurance companies, appointed by the Commissioner of the Office of Financial and Insurance Services (OFIS) according to statute. (For an explanation of OFIS, please see the final paragraph of this document.) The insurance companies appointed to serve on this board are among the top writers, by volume of business, of auto insurance in Michigan. The Commissioner of OFIS serves as an ex-officio member of the board without a vote.

### **How is the MCCA funded?**

An MCCA assessment is charged to every Michigan auto insurance premium. The assessment funds a pool of money for medical costs exceeding \$325,000 resulting from an auto accident.

## **How is the MCCA assessment determined?**

Each year, the MCCA analyzes the amount needed to cover the lifetime claims of all people catastrophically injured in a car accident. This analysis includes review of the investment return that the fund receives, medical cost inflation, and any changes to coverages. The analysis yields an amount needed to pay those lifetime claims and a per vehicle assessment is set based on that amount.

## **Do I pay this assessment?**

Although the MCCA assessment technically is made to the insurance company, companies typically pass the assessment on to policyholders. Some insurance companies include the MCCA assessment in the Personal Injury Protection (PIP) portion of your insurance premium. Other companies sometimes list this as a “statutory assessment” or “MCCA assessment” on the declarations page of your policy.

Even though the amount assessed each insurer by the MCCA is the same, each company may include administrative and other miscellaneous costs in the amount it assesses policyholders for this coverage. Therefore, the amount assessed by the MCCA may affect each policyholder’s premium differently. If you have questions about the amount being assessed, you may wish to contact your insurance agent or insurance company.

## **Do I pay the full assessment if I own a historic vehicle?**

Public Act 662 of 2002 reduced the MCCA assessment for historic vehicles to 20 percent of the full assessment charged for vehicles effective July 1, 2003. Therefore, the assessment for historic vehicles beginning July 1, 2003 will be \$20.04. The rate does not change until the

effective date of July 1, 2003 so anyone renewing a historic vehicle policy prior to that date may not see a reduction in the amount charged by their company for 2003.

### **Why is the assessment increasing so much for 2003?**

The MCCA announced that the 2003 assessment be \$100.20. The pure premium (the actual cost for each vehicle in the state of Michigan to fund the MCCA pool) is \$79.30 and the deficit adjustment is \$20.80 with a \$.10 administrative expense, setting the assessment at \$100.20. It was anticipated that the MCCA surplus would see a surplus through 2004, which could be used as a credit to the assessment. Due to decreased investment returns and increasing medical costs, the surplus has already been used.

The MCCA assessment is calculated for both current and anticipated medical costs associated with catastrophic auto insurance claims – it is important to note that there are funds to pay for coverage now and into the future.

Surplus has been used as a credit to the MCCA assessment since 1995. Since that time, the MCCA has returned \$3 billion in surplus, including a one-time lump sum of \$180 to each Michigan citizen with an insured vehicle as of March 18, 1998.

### **What will happen to the assessment in the future?**

The MCCA Board will meet in the spring of 2004 to set the assessment for the year beginning July 1, 2004. The assessment will be set using the same criteria – by analyzing the amount needed to cover the lifetime claims of all people catastrophically injured in a car accident. Investment return, medical cost inflation, and any changes to coverages will again be considered.

## **More information on Michigan auto insurance:**

OFIS always recommends that Michigan citizens shop around for their auto insurance –a range of prices is available depending on many factors like discounts offered by insurance companies or coverage levels. The “2003 Buyer’s Guide to Auto Insurance in Michigan” assists in the shopping process by providing estimates from insurance companies. The guide is available from the OFIS web site at:

[http://www.cis.state.mi.us/fis/pubs/guides/auto/auto\\_buyer\\_criteria.asp](http://www.cis.state.mi.us/fis/pubs/guides/auto/auto_buyer_criteria.asp)

In addition, the “Consumer’s Guide to No-Fault Automobile Insurance in Michigan” brochure provides more information on auto insurance. You can obtain this brochure from the OFIS web site at: [www.michigan.gov/documents/cis\\_ofis\\_autogd\\_no\\_fault\\_24054\\_7.pdf](http://www.michigan.gov/documents/cis_ofis_autogd_no_fault_24054_7.pdf). The above mentioned guide and brochure are also available by calling OFIS toll free 877-999-6442. Consumer assistance is also available at this toll free number if you have questions about the MCCA, or need assistance on any matters of insurance, banking, lending and securities.

**Michigan Catastrophic Claims Association (MCCA)  
Information as of March 20, 2003**

- Since July 1, 1978 when the fund was started, 15,600 claims have been reported to the MCCA. A claim represents the auto accident that caused the catastrophic injury - it does not represent the number of people injured. Most claims, but not all, include only one person.
- The fund has paid out over \$3 billion toward medical coverage since July 1, 1978.
- More than 8,600 claims remain open and continue to receive payment through the fund.

**MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION ASSESSMENT  
HISTORY**

Assmt #	Period	Months	Pure Premium	(Surplus) Deficit	Admin. Adj. Expense	Total Assessment
1	7/1/78 to 6/30/79	12	\$3.00	\$0.00	\$0.00	\$3.00
2	7/1/79 to 12/31/79	6	\$6.28	\$5.40	\$0.00	\$11.68
3	1/1/80 to 12/31/80	12	\$6.36	(\$0.36)	\$0.00	\$6.00
4	1/1/81 to 12/31/81	12	\$7.14	(\$0.58)	\$0.20	\$6.76
5	1/1/82 to 12/31/82	12	\$6.64	(\$0.81)	\$0.10	\$5.93
6	1/1/83 to 12/31/83	12	\$7.55	(\$2.12)	\$0.10	\$5.53
7	1/1/84 to 12/31/84	12	\$8.24	(\$2.44)	\$0.11	\$5.91
8	1/1/85 to 12/31/85	12	\$10.55	\$1.40	\$0.10	\$12.05
9	1/1/86 to 12/31/86	12	\$11.24	\$3.07	\$0.09	\$14.40
10	1/1/87 to 12/31/87	12	\$15.77	\$6.81	\$0.09	\$22.67
11	1/1/88 to 12/31/88	12	\$24.41	\$8.10	\$0.09	\$32.60
12	1/1/89 to 12/31/89	12	\$33.44	\$10.12	\$0.09	\$43.65
13	1/1/90 to 12/31/90	12	\$48.12	\$18.37	\$0.15	\$66.64
14	1/1/91 to 12/31/91	12	\$68.33	\$32.50	\$0.17	\$101.00
15	1/1/92 to 12/31/92	12	\$77.69	\$32.77	\$0.12	\$110.58
16	1/1/93 to 12/31/93	12	\$90.43	\$28.14	\$0.12	\$118.69
17	1/1/94 to 12/31/94	12	\$98.71	\$16.89	\$0.12	\$115.72
18	1/1/95 to 12/31/95	12	\$98.07	(\$1.24)	\$0.12	\$96.95
19	1/1/96 to 12/31/96	12	\$87.53	(\$15.06)	\$0.10	\$72.57
20	1/1/97 to 12/31/97	12	\$62.03	(\$47.19)	\$0.10	\$14.94

21	1/1/98 to 12/31/98	12	\$63.87	(\$58.37)	\$0.10	\$5.60
22	1/1/99 to 12/31/99	12	\$56.31	(\$50.81)	\$0.10	\$5.60
23	1/1/00 to 12/31/00	12	\$52.30	(\$46.79)	\$0.09	\$5.60
24	1/1/01 to 12/31/01	12	\$61.53	(\$47.21)	\$0.09	\$14.41
25	1/1/02 to 06/30/02	6	\$71.05	\$0.00	\$0.10	\$71.15
26	7/1/02 to 6/30/03	12	\$68.90	\$0.00	\$0.10	\$69.00
27	7/1/03 to 6/30/04	12	\$79.30	\$20.80	\$0.10	\$100.20